

20 MAY 1977

77-1392

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM : John F. Blake
Deputy Director for Administration

SUBJECT : Recommended Price Increases for Items
Served by the Executive Dining Room

1. Action Requested: The Director's Dining Room and the Executive Dining Room (EDR) are both operated by the EDR. This memorandum requests approval to increase prices for food and beverages served by the EDR to be effective as of 1 July 1977.

2. Background:

The Audit Staff recently completed its audit of the Executive Dining Room and issued their Report of Audit, dated 16 February 1977. The auditors noted EDR prices had not increased since 1974. The auditor made a comparison of prices for items served in the dining room with the same or similar items served in the cafeteria which indicated that the EDR prices had not kept pace with those in the cafeteria being charged to employees. He noted that "while the EDR does seem to be recovering food costs, this disparity in prices may become a subject of concern to Agency management." The auditor concluded by recommending that we review prices in the EDR to determine if an increase is warranted.

The Office of Logistics has conducted a review of its operating costs and has made a comparison of prices charged for like or similar items such as salad, soups, beverages, and desserts by the EDR and cafeteria. A comparison of entree prices is more difficult due to variations in quality, quantity, and selections served. The results of this review and comparisons indicate the following:

a. Exclusive of the cost of salaries, which currently approximate \$119,000 per year, the EDR has been self-sustaining and has managed

to achieve a modest profit due largely to special functions, i.e., cocktail parties. This profit or operating income was approximately \$6,800 for FY 1976 and is currently estimated at \$6,200 for FY 1977. It has been the practice to expend such funds for replacement of equipment, furniture, and utensils. A recent example was the expenditure of approximately \$7,300 for a refrigerator and all new DCI china settings. Any funds remaining at the end of the year are carried over or paid back to the treasury. In the current instance, had we not carried funds over we would be projecting a loss for the current FY of approximately \$1,000.

b. The GSI, on 25 April 1977, put into effect a general 5 percent price increase, the second increase since 1975 which created even more disparity in the prices between the two facilities for comparable items.

c. There has been an average increase of 22 percent to the EDR in the cost of the basic entrees served. A list of these entrees and comparative costs is included as Attachment 1. However, according to the 36th edition (1976) of the Year Book for Bureau of Labor Statistics, there was an 11.86 percent increase in the price of all foodstuffs between 1974 and 1976.

3. Staff Position:

Three measures are necessary to keep the EDR on a self-sustaining basis, exclusive of salaries, and also to keep prices in line with GSI. The first is that EDR prices for like or similar items served in the cafeteria should be increased by 15 percent to equal or exceed GSI prices, whichever is greater. Secondly, the same increase of 15 percent should be applied across-the-board for all other items on the EDR menu. The figure of 15 percent represents a compromise between the official rate of inflation and our actual costs for certain items but we believe it to be equitable in view of the current and projected cost of foodstuffs. Lastly, the standard price for cocktail parties with hors d'oeuvres should be increased from \$4.50 to \$5.00 in order to partially offset

the cost of food served and the overtime required to properly prepare and serve for such parties. A summary of current and proposed prices is shown in Attachment 2 hereto.

Although it is feasible to raise the prices higher in order to gross more income than necessary for equipment replacement, such funds would revert to the treasury as an offset to the subsidized salaries. However, large price increases would reduce patronage and would be insignificant in offsetting the total subsidy.

4. Recommendation: It is recommended that approval be granted to increase the prices for EDR meals and special functions as set forth in Attachment 2.

/s/John F. Blake

John F. Blake

Atts

APPROVED: /s/ E. H. Knoche 24 MAY 1977

DISAPPROVED: _____

Distribution:

- Orig - Return to OL via DD/A (LSD Official)
- 2 - DDCI w/atts
- 1 - ER w/atts
- 2 - DD/A w/atts

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EB

Meat Prices (Per Pound)

<u>Type</u>	<u>March 1974</u>	<u>March 1977</u>
Bacon	\$ 1.19	\$ 1.39
Corned Beef	1.29	1.39
Delmonico	2.49	2.89
Sirloin Butt	2.56	2.98
New York Strip	2.88	2.98
Flank Steak	1.98	2.09
Chicken Breast	.96	1.10
Veal Cutlet	4.32	4.48
Lamb Chop.	1.49	1.79
Sausage	1.49	1.79
Drum Sticks	.85	1.05
Crab Meat	3.25	6.50
Lobster	4.50	4.95
Haddock Filet	1.25	1.50
Pullman Ham	1.79	2.00
Shrimp	2.35	3.65

Adjustments to Equalize Cafeteria Prices

<u>Item</u>	<u>EDR</u>	<u>Cafeteria</u>	<u>Recommended EDR Price</u>
Soup	.30	.50	.50
Milk	.20	.25	.25
Coffee	.20	.20	.25
Coffee (Carafe)	.90	1.20	1.20
Tea	.20	.20	.25
Dessert (EDR limited to sherbet, ice cream, and fruit cup)	.30	.25/.60	.40
Juice	.20	.25	.25
Salad	.25	.30	.30

Price Increases in EDR

	<u>Present</u>	<u>Recommended</u>
Regular Lunch	\$ 2.35	\$ 2.60
Delmonico	3.00	3.45
Sirloin	3.00	3.45
Filet Sandwich	2.75	3.15
Light Lunch	1.45	1.65

All except Filet Sandwich and the Light Lunch include vegetable, juice and beverage

Price Increases in EDR
(Continued)

	<u>Present</u>	<u>Recommended</u>
Jumbo Salad	\$ 1.25	\$ 1.45
Low Cal	1.25	1.45
Steak Special	1.75	2.00

Director's Dining Room

	<u>Present</u>	<u>Recommended</u>
Chicken Breast	\$ 3.00	\$ 3.45
Cornish Hen	3.00	3.45
Lamb Chops	3.60	4.15
Veal Chops	3.60	4.15
Delmonico	3.60	4.15
Veal Cordon Bleu	3.90	4.50
Filet Mignon	4.50	5.15
Chicken Cordon Bleu	3.25	3.75

All meals above include juice, soup, salad, vegetable, dessert, and beverage